

# **Contradictions in the Construction of Difference and Polarization in Chinese/Taiwanese Industries in KZN: Isithebe, Ladysmith and Newcastle**

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## **Introduction**

This paper is a reflection on findings from an early warning systems research on Chinese and Taiwanese investment in three industrial zones of KZN, viz. Isithebe (Ndondakusuka), Ladysmith-Ezakheni and Newcastle-Madadeni/Osizweni. The research was commissioned by Trade and Investment KwaZulu-Natal (TIKZN), an investment monitoring and aftercare public entity under the KZN provincial Department of Economic Affairs<sup>1</sup>. This research was undertaken towards the end of 2002-3 as baseline of early warning systems on problems and challenges facing these investments and industries in KZN. This study was undertaken against the backdrop of numerous cases of vagrant breach of occupational health and safety measure that were reported in Bronkhorspruit and in Newcastle between 2000 and 2002. These cases attracted both national and international news coverage, a specific case in Newcastle was a textile/clothing factory in which the owner used to lock-in women working night shift. This resulted in one of the workers giving birth inside the factory

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<sup>1</sup> A clause in the Memorandum of Agreement between TIKZN and researchers gave the researchers authority to use data sources from this research for academic publication. Data sources were put under embargo for any other purpose.

and losing the twin babes because of being locked-in. There were subsequent cases of abuse of workers, which culminated in massive deployment of inspectors from the Department of Labour, who uncovered and confirmed these atrocities, which resulted in fines and wide outcry and condemnation of these practices.

These atrocious events coincided with increasing pressure that TIKZN and respective industrial zones were facing as more investors were relocating or threatening to relocate their business to cheaper and more receptive locations in the region. What transpired from the interviews with chairmen of their respective chambers of business was that investors were disgruntled by the new legislation, specifically the 1999 Sectoral Determination on Minimum Wage for the clothing and textile sector. Investors were also unhappy with what they called '*government protection of trade unions to the detriment of investment*'. Lastly, investors were unhappy with diminishing incentives, e.g. real estate cost benefits, investment subsidies and other incentives that were gradually eroded as investment financial and industrial zone bodies like Ithala (formerly KwaZulu Finance Corporation, KFC) were facing increasing pressure to corporatise, restructure and meet cost saving imperatives.

TIKZN wanted a baseline study of problems and challenges emanating from these investments, in order to formulate proper after-care policy for these investors, which were regarded important for growing the respective local economies and employment. From this research appropriate intervention, e.g. training, facilitation and integration of Chinese and Taiwanese investors was to be ensued to integrate them into the economy and industrial relations framework. During the initial discussions with senior people from TIKZN, they acknowledged that there are problems with these industries, some were even arguing for ridding themselves of these investors. Yet, on the other hand they accepted that these investments represent the largest economic investment and employment in these areas<sup>2</sup>. The Chinese and Taiwanese investments represent an interesting yet contradictory epithet of globalization and neo-liberal economic agenda that proceed from it. Yet,

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<sup>2</sup> Senior managers from TIKZN and Ithala estimated these industries coalesce up to R100 million per annum and approximately about 40 – 60 000 jobs.

in South Africa, Taiwanese investments should not be limited to globalization trajectory. Taiwanese investments date as long and as early as the 1980s during the high times of apartheid's Bantustan independent industrial development zones. These investments were both cumulative international collaboration of the apartheid system with the internationally non-recognized Taiwanese state (Hart 2002). This was an ideological pact and collaboration between what seemed like-minded states, both anti-communist (Taiwan pressing for secession from communist China, while South Africa was fighting to defend apartheid system against what they conceived as communist ANC).

These investments were also on the backdrop of increasing isolation of apartheid regime from international community as pressure from the ANC and other anti-apartheid voices were increasing in influence on the international scene. In line with the policy of separate development, which demarcated South Africa into four racially defined spatial categories of whites, Indians, Coloureds and Africans, homelands were established, which were areas of self-rule for Africans. These were instituted to entrench long established dispossession and proletarianisation of blacks and the migrant labour system (Department of Economics, 1950; Hemson, 1995; Maylam, 1995; Sitas, 1990, 1997). Bantustan homelands established decentralized industrial zones, which were in proximity of black townships, as areas of industrial development, to limit the demand for blacks to come into 'white cities' and were regarded by homeland leaders as avenues for creation of the black bourgeoisie. These industrial zones were established in the 1970s across all the homelands, but by the 1980s numerous of these zones were dysfunctional, amidst cases of mismanagement, lack of capacity and corruption (Clark 1994). Iscor, a steel and iron ore manufacturing firm in Newcastle was one of the few successes of this project during the 1980s leading to the 1990s. It was during this time that the KwaZulu homeland began to make trips to Taiwan through its investment financial corporation then called KwaZulu Finance Corporation (KFC). At the same time the white town council of Newcastle also identified Taiwan as the destination for investment attraction. During one of the interviews with the town council clerk who has been on this portfolio since the 1980s, he intimated how he had visited Taiwan and China more than 35 times over the past 20 years.

These Taiwanese industrialists were lured by promises of cheaper real estate, investment subsidies in the form of tax rebates, less-than market electricity and water rates and Bantustan investor friendly and anti-trade union attitude in these three zones. They were promised the homeland state will rein in trade unions and investors were assured cheap and ready to work employees (Sitas 1990; 1997). These promises were indeed fulfilled during apartheid mostly through Bantustan KFC which also provided start-up capital for investors. By 1990s Taiwanese investors owned a significant amount of land (real estate) in Newcastle (Hart 2002). The Bantustan regime in KwaZulu reined in on trade unions, and related popular resistance to apartheid and racial Fordism (Kaplinsky 1993; Sitas 1997). In the aftermath of the launch of COSATU, the KwaZulu Bantustan mobilized through Zulu nationalism to establish a counter trade union federation UWUSA, which mobilized against strikes, industrial action around the slogan '*half a loaf is better than nothing*'. This opposition to militant trade union and related civil activism translated in KwaZulu Bantustan sponsored violence in these areas (Bennett 1988; Howe 1989; Ruff 1993; Bonnin 1997). Firstly in Ladysmith–Ezakhleni during late 1980s and early 1990s, moving to Newcastle–Madadeni/Osizweni in early 1990s lastly to Isithebe just prior 1994 elections. These tensions and violence were compounded by Inkatha's opposition and thwarting of the ANC aligned United Democratic Front (UDF).

Most of these investors were small-scale industrialists, none of which commanded international operation of any major scale. Hart (2002:2) asserts that these (small-scale) Taiwanese investors were driven out of Taiwan by rising wages, rents, and escalating exchange rates, conditions created by the stunning pace of their own industrial investment and export drive. Similar growth and rise in wages, investment and exchange rates were synonymous across the Asian Tiger economies, viz. South Korea, Hong Kong, Taiwan and Singapore. These investors were also driven out by quotas on Chinese exports to USA and Europe initially imposed in GATT and subsequently WTO. Most of these saw South Africa as an opportunity to bypass these limitations, especially after the AGOA trade deal. Others also saw South Africa as a door to the rest of Africa.

One of the factors highlighted in Hart's (2002) argument of contradictions of disabling globalization is the mere fact that while these

investors were attracted by Bantustan surrogates of apartheid regime and authorities of white towns during apartheid, post 1996, especially in Ladysmith and Newcastle it was the ANC controlled municipal councils that continued to attract these investments. This represented contradictions in the trajectory of movement politics, especially in the aftermath of government's neo-liberal economic framework which was arbitrarily adopted by government despite serious opposition from its alliance partners COSATU and the SACP. The first democratic local (municipal) councils were elected in 1996, just after the adoption of GEAR. Government had also just promulgated new legislation and policies on local government functions and operations. This neo-liberal framework also saw the shifting of service delivery from national government to local councils. Service functions such as provision of water, electricity, employment, poverty alleviation and infrastructural development were now the functions of the local state. Hart (2002) argues this coupled with the view of a South African future as metropolitan, which dichotomized desired urban versus and backward rural, formal versus informal, city versus countryside problem. The municipal areas of Ndongakusuka, Ladysmith and Newcastle represent the intertwined and embedded nature of rural-urban, city-countryside, formal-informal discourse.

It was argued by SACTWU's research director and other former local activists in Newcastle that in the heydays of apartheid and Bantustan oppression, Inkatha warlords received financial support from Taiwanese businesses during their campaigns to thwart any militant trade union activities. By the 1994 elections, ANC aligned organizations and activists saw and regarded these Taiwanese not only as ruthless and exploitative employers, but also as surrogates of Inkatha in support of apartheid violence against them. Yet, after 1996 local elections, ANC councilors in Ladysmith and Newcastle were in this contradictory euphoria of jubilation from finally wielding local power after such struggles on the one hand, while they were now faced directly with the brunt challenge of fixing their respective municipalities mostly with very little resources, with problematic local state apparatus from the previous order and most fundamentally with the new mammoth task of formulating LED strategies, IDPs, sorting imbalanced infrastructural and service allocation, while also having to source investment for local economy stimulation and employment.

It has been shown in research (Nattrass 1998, 2000, 2001, 2003; Bhorat 1999, 2000; Field 2000) that the main assumption behind GEAR was that fiscal austerity, liberal economic framework will attract investment into the country (economy), these investments will create jobs; grow the economy, which will create even more jobs as demand grows. This will trickle down to every town and growth of every local economy, translating in employment for all and poverty reduction. The reality on the contrary shows that these assumptions were not well founded. The bait was not effective in catching '*big international investor fish*'. Such promise of a better future was far from materializing and local authorities in these towns were faced with having to resort to balance ideology with practical demand for their local councils. By 1997 onwards until 2000 municipal elections, it was ANC led municipalities of Ladysmith and Newcastle that visited Taiwan and mainland China to source investment into these respective areas. It was also these councilors who had to offer incentives and stimulus for prospective investors to bring investment in their respective industrial zones. Ladysmith saw from 1997 onward growth in mainland China and Hong Kong investments, while Isithebe and Newcastle were still largely Taiwanese investments.

### **Conceptualising Polarisation: Difference and Conflict as Social Construction**

The history of South Africa is intricately embedded in social polarization, divisions, animosity and hostilities by race, class and gender. These vestiges which continue to manifest themselves 10 years into democracy reflect legacies of dispossession, expropriation, proletarianisation, exploitation and discrimination. Racial polarization became institutionalized through apartheid legislation, separating people and dividing communities along constructed racial categories.

The functionalist view presents society as a social system in which every part has a role to play to maintain social equilibrium (Colomy 1990). Along this postulate, institutions of society, viz. the economy, education, religion, family, politics, etc, all have various functional distinctions within which roles are allocated to different groups. According to this view, distinctions in social class, social stratification is functional for the social

system. In the social system some roles and functions have more value to the system than others because of either their specialised attributes, because of expertise of those roles and because of high demand for those roles in society. On the contrary, other roles are not accorded high value because of their general value (Parsons 1967).

The conflict perspective on the contrary sees society as an ensemble of contradictions and conflict of interests (Giddens & Held 1982). Taking from Marxist view, this thesis sees social structure represented by conflicting interests between those at the top and those at the bottom (Rex 1981; Scase 1989). These divisions in society ramify themselves in race, class and gender. Lately these would include religion, sexual orientation, educational level, etc. This perspective takes from Marx's analysis of historical materialism and class conflict, in which Marx viewed society from slavery leading to capitalism as embedded in class contradictions and conflict between slave and master during slavery, between aristocracy (landlord) and peasant during feudalism, ultimately culminating into conflict between bourgeoisie and proletariat under capitalism. In his theory of value, Marx saw workers as exploited by capitalist which he explains as alienation. As forces of production progress, so do the conflict, polarization between capitalist and worker as their interests increasingly conflict with each other (Marx 1971/2/3). Braverman (1976) developed this view and attempted to adapt Marxism to be a critique of monopoly (modern) capitalism. Braverman (1976) saw monopoly capitalism resulting in even more alienation, more conflict and more polarisation of worker from capitalist because of scientific management and mechanisation of work. Monopoly capitalism, he saw as increasing managerial power. Burawoy (1979; 1985) in his discussion with Braverman's thesis saw increasing contestation of power on shop floor, with managers increasing their power through scientific management, yet workers contesting their power through trade union action, absenteeism, and what they call games workers play on shop floor.

Social polarization is a discourse widely used in urban studies to conceptualise separation and differentiation in world cities. Most of the engagement with social polarization discourse is in conversation with Sassen's (1991) notion of looking at the city as separated by occupational status. This is what Mollenkopf and Castells (1991) call 'dual city', referring to disproportionate rates of growth between upper strata vis-à-vis lower

strata in any given society. The initial arguments of social polarization looked at the widening gap in occupational wages between managerial positions vis-à-vis blue-collar positions. Other contributors in this debate have shown that the social polarization discourse should not be generalized and singularized. Hamnett in his critique of Sassen (1991), Beauregard (1993) and Mollenkopf and Castells (1991) argue that by uncritically accepting the existence of social polarization is not a general, catch-all process, we may fail to see the existence of different forms of polarization in different cities (1996:1408). He argues that polarization is not a single, homogenous, process which operates in the same way in different places. Hamnett (1996) tries to understand varying forces, different contexts and structural formations in which different forms of polarization play-out in different cities.

I find this analysis of social polarization a very useful tool in understanding how relations of Chinese and Taiwanese industrialists with other stakeholders in respective areas of their investment played out in interestingly different ways. From this analysis one can argue that the contradictions and the conflictual nature of capitalist modes of production in the workplace and society result from socially, politically and economically constructed difference. As a result, race, racialism, ethnicity and the discourse of difference are socially constructed identities, constantly reconstructed, produced and reproduced in different forms in time and space. As Hart (2002) shows in her work how the Taiwanese industrialists often constructed notions of difference between Taiwanese work-ethic and managerial culture versus South African white managerial culture. How they constructed difference depicting Taiwanese workers as hard workers versus South African women workers depicted as lazy and ungrateful. These constructions of difference are articulated simultaneously with constructions of singularity with Zulu nationalism, exemplified by the myth of synergy, harmony and unity between Zulu values of *ubuntu* and Chinese values of *guanxi* purported by Chinese and Taiwanese industrialists in their support for Inkatha in Newcastle.

This analysis also leads one to attempt to explicate how Chinese and Taiwanese industrialists insulated themselves away from local communities, yet how Taiwanese simultaneously integrate their children into Model C schools in the respective suburbs. Social polarisation is mediated in everyday



life through perceived cost-benefit analysis of people as actors, structural formations and other contingencies in actual lived experiences. The findings will show that relations between respective local council authorities and Chinese and Taiwanese industrialists were mediated by perceived financial benefits of both parties, structural formations of whether investment was sought by the municipality or Ithala, level of financial support the Chinese and Taiwanese industrialists contribute to the political hegemony, and the financial gain of individual officers in some municipalities.

The findings will show that industrial relations characteristic of Chinese and Taiwanese industrialists tend to be acrimonious, exploitative and full of industrial conflict. The findings will show a wide gap in relations between industrialists and their workers due to poor working conditions and below minimum wage levels. The findings will also show that these industrialists are polarised not only from workers and trade unions, but also from the Department of Labour, especially the Inspection and Compliance business unit, because of their gross violation of labour laws. Construction of difference is also in context of contingent, institutional, and associated benefit levels assumed to be gained or lost. This analysis is important to consider in explaining the dynamic nature of relationships between various social formations in space and time.

## **Methodology**

This research was conducted through the use of a survey. The survey consisted of two phases, viz. qualitative and quantitative. The qualitative survey was conducted through in-depth interviews with relevant stakeholders in three industrial zones. The stakeholders interviewed included municipal managers, councillors and senior local officials in investment procurement function, SACTWU's national research director, the Unit Manager of inspection and compliance in the provincial office of the Department of Labour. Other stakeholders interviewed were Ithala senior managers at the head office and Ithala managers in the respective zones and chairpersons of Chinese and Taiwanese Chambers of Business. These qualitative interviews were conducted to determine perceptions of various stakeholders on problems around Chinese and Taiwanese investments and to solicit potential remedies to these problems. These interviews also attempted to probe

stakeholders suggested possible questions that they felt were important to be included in the quantitative research instrument prepared for Chinese and Taiwanese investors.

The quantitative survey was aimed at making a descriptive situation analysis of industrialists, their firms, their understanding of South African labour legislation, labour practices in their respective firms, as well as their perceptions on operating business in South Africa. A quantitative research instrument was developed and piloted (tested) in Isithebe. The instrument was then surveyed through a stratified random sample of three areas, Isithebe, Ladysmith and Newcastle. The sample was stratified by number of firms in the area of investment. The sample size was 56% of total population with confidence level of above 95% and error margin less than 4%. Data gathering was not without problems, mostly related to refusal of access into industrial areas sampled and firms having relocated from specified areas in between the sample selection and time of data collection in the area.

## **Findings**

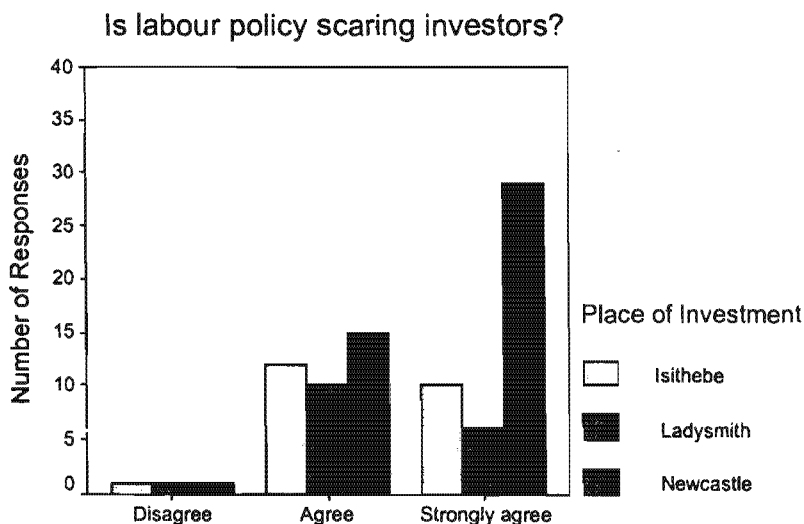
The findings show both convergence and divergence in perceptions of various stakeholders on the challenge as one respondent stated 'of balancing the desperate need for economic investment in these three industrial zones and standards of industrial practice that have been hard fought for by workers, now enshrined in our legislation'. Data show a clear divide on the perception of stakeholders on how to work out this balancing act. Municipal representatives of Ladysmith and Newcastle, local chambers of business and Chinese/Taiwanese chambers argue that attracting and securing investments should be prioritised above demands for minimum wage and working conditions. Their best case scenario is relaxation of labour laws, i.e. making amendments on the 1995 Labour Relations Act (LRA), 1997 Basic Conditions of Employment Act (BCEA), 1993 Occupational Health and Safety Act (OCHSA) and specifically scrapping the 1999 Sectoral Determination on Minimum Wage (SMWD). A councillor in Newcastle intimated during the discussions and is quoted (Hart 2002) to have urged (in some cases coerced) workers in Newcastle to accept their working conditions and wages because '*half a loaf is better than nothing*'. This intimation dates back to 1980s from Inkatha aligned UWUSA, a trade union

federation that opposed COSATU's mobilisation in the former Kwazulu homeland.

This perception is also dominant among these industrialists, with more than 70% of interviewed industrialists either showing negative perceptions on labour policy and legislation, the 1999 Sectoral Minimum Wage Determination and on trade union strength in South Africa. Graph 1 show that many industrialists thought that the labour policy scares away investors from South Africa. This is collaborated by graph 2 which shows that investors perceive high labour costs (high wages) and SMWD as main factors causing investors to relocate from South Africa. They also felt that government policy is too weak to control trade unions, saying that '*labour policy should give more power to investors instead*'.

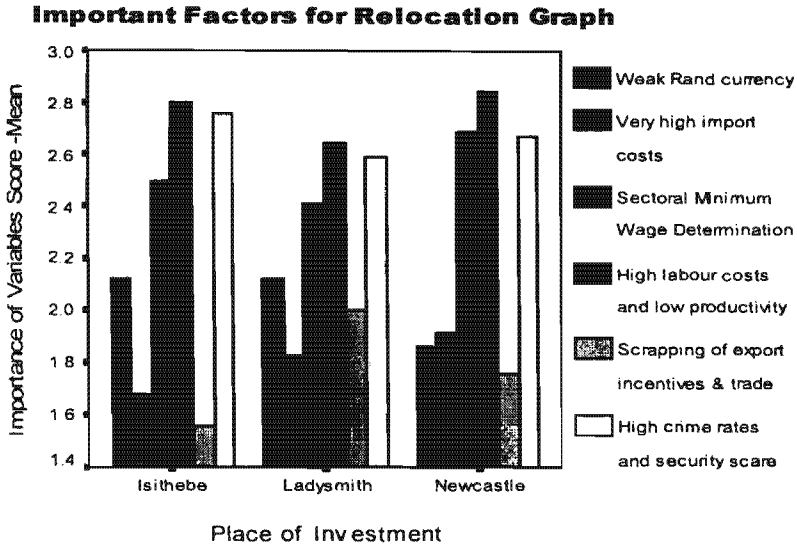
*Graph 1*

### **Perception on Labour Policy**



Labour policies in SA are scaring away investors

Graph 2



The unit manager of inspection and compliance in the Department of Labour (DOL), COSATU and the municipal manager at Ndongakusuka municipality (Isithebe industrial zone) assert that the need for investment and demand for safe and healthy working conditions and living wages are inseparable. In a television interview in 2001 the DOL spoke person Dr Zikalala, presenting the department's response to workplace tragedies in Newcastle intimated, *'often workers feel if they do complain they will lose their jobs. This must be balanced against the fact that they might die if they don't complain'*. The municipal manager at Ndongakusuka municipality presented the balance between need for investment and workplace health and safety and living wage this way, *'at the beginning people want jobs, but in reality people want to make a living... this is why after getting a job people demand good and rewarding jobs'*.

These stakeholders also had divergent views on the nature of problems revolving Chinese/Taiwanese industrialists in the three industrial zones. While the former group identify the rigidity of the South African

labour market policies and too much strength in trade unions as a major shortcoming and negative factor to investor confidence, the latter group place the problems at the failure of the Chinese/Taiwanese industrialists to follow and, or comply with South Africa's internationally acclaimed policies and legislation. The former group also asserts that the 1999 SMWD is too high. They argued that this centralised bargaining agreement was pushed by well established clothing and textile firms and SACTWU from Western Cape to the detriment of SMME and starter firms in KZN. This claim is repudiated by officials from DOL. The inspection and compliance unit manager clearly showed proof that the SMWD made two categories of standards, viz. established industrial areas classified as A and developing industrial areas classified as B. the minimum wage standard for these categories differed by more than 70%.

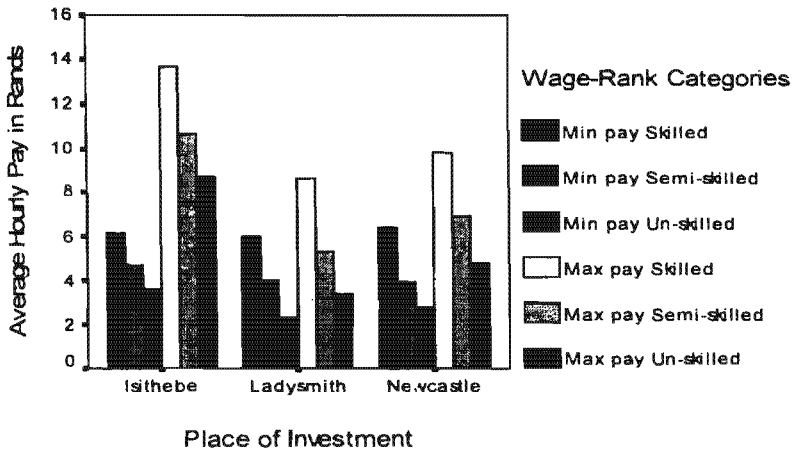
On a broad level findings show a wide gap of separation, disengagement, isolation and polarization of Chinese/Taiwanese industrialists from trade unions and labour formations, from local communities (business, social and political) in respective zones, from legislative framework in South Africa (labour legislation in particular). Interviews with Chinese/Taiwanese chambers of business highlighted a deep sense of frustration these industrialists have with trade unions in South Africa and their accommodation by the democratic state. This view was corroborated in the quantitative findings, with the majority of respondents lamenting that trade unions are given too much power. Trade union representatives from SACTWU reciprocated this frustration and animosity towards these industrialists. The national research director spoke passionately about the union's indignation toward these industries. He lamented the long working hours, unhealthy working conditions and below poverty line wages these industrialists pay to their workers. This claim was corroborated by evidence from findings on hours worked per day as well as hourly wages. Graph 3 shows that the highest paid skilled worker earns R12 an hour (at Isithebe), while there are unskilled workers who earn as little as R2.93 an hour (at Newcastle) and R3.29 (at Ladysmith). Both these figures fall below the SMWD standard of R3.63 an hour. These findings reaffirmed claims published in current affairs television program special assignment on SABC, as well as work by Hart (2002). Researchers also experienced the problem of low response rate from industrialists on questions of working

hours and all questions pertaining minimum wage in their firms. Almost 50% of respondents ignored these questions on the questionnaire while they responded to others. This leads one to translate their failure to give details on these two variables to be their failure to comply either with working hours per day (8hrs) and, or weekly working days (6). On the minimum wage questions it indicates that these employers pay less than the stipulated R3.63 minimum wage for category B in SMWD.

Graph 3

**Wage Distribution Graph**

Wage Distribution by Rank & Place of Investment



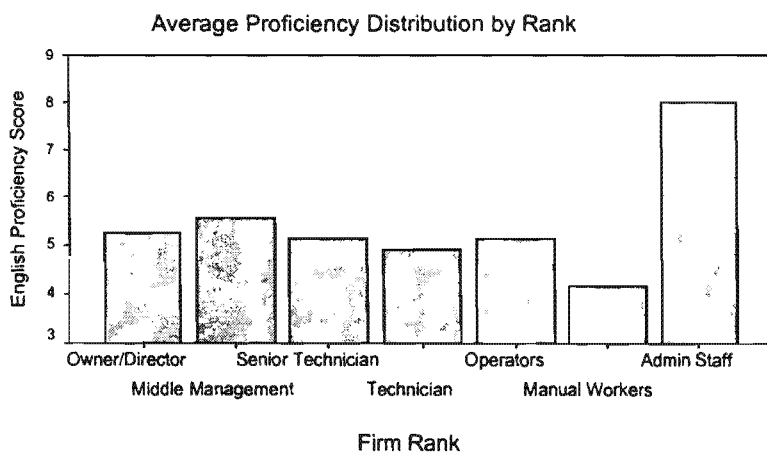
An area of major concern to some stakeholders compounding the problems with Chinese/Taiwanese industrialist was their inability to integrate into communities within which they operate their business. All municipal representatives highlighted the failure of these investors to participate in local activities, either respective local business chambers and, or involvement in community networks in the three municipalities. This point was also confirmed by senior managers at Ithala, who highlighted that *'these investors insulate themselves from communities within which they operate'*.

SACTWU and DOL representatives added that these industrialists also do not acclimatise themselves with labour policies and legislation governing productive activity. These issues further widen the gap between these investors and their respective local context and national priorities.

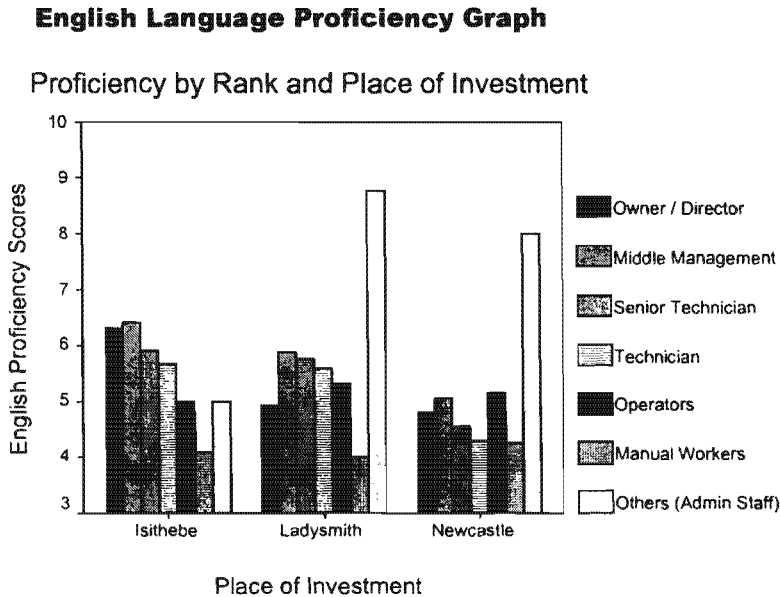
These gaps were corroborated by quantitative findings. The vast majority of investors have little or no interaction/communication with local stakeholders, beside the municipality (in Ladysmith and Newcastle) and Ithala in Isithebe. The findings show an interesting array of factors that explain these gaps. Data show that the majority of these investors do not have a good command of English. Graphs 4 and 5 show that most owner/managers only average less than 5 in English proficiency, far below their administrative staff (who are mostly South African white and, or Indian employees). Graph 5 also show a variation in proficiency by area of investment, which indicates that investors in Isithebe have slightly higher proficiency than Ladysmith and Newcastle. We found from the instrument that industrialists in Isithebe have the longest stay in the country and are largely Taiwanese investors, whereas Ladysmith and Newcastle have a large contingent of investors from mainland China.

*Graph 4*

**Language Proficiency Distribution Graph**



Graph 5



These industrialists acknowledged the limitations caused by their lack of English proficiency in communication with their employees, with community stakeholders, even with DOL. They also agreed that the language barrier is a factor that cause their insulation and supported the idea of having English communication classes as part of investor orientation programme when they come to South Africa. The language barrier was also identified as a factor hampering their understanding of South African labour legislative framework. Graph 6 and 7 indicate that almost 40% of all respondents failed to answer any of the questions listed in the multiple choice test we developed to test their awareness of labour legislation. Graph 7 shows a variation in multiple choice test by area of location. Isithebe industrialists score the highest in the test, confirming the relationship between English proficiency level and awareness/understanding of legislative framework. Many industrialists highlighted that language barrier negatively affect their relationship with employee because of poor communication. Graphs 5 and 7

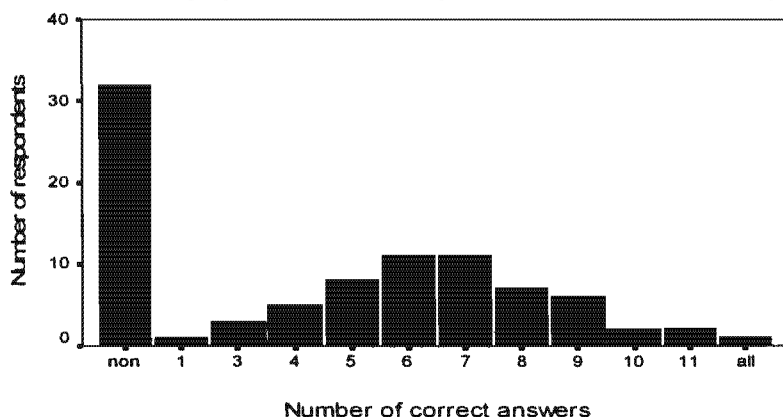


show some correlation between length of stay in the country, language proficiency and knowledge of labour legislation.

*Graph 6*

### Multiple Choice Test on SA Labour Legislation

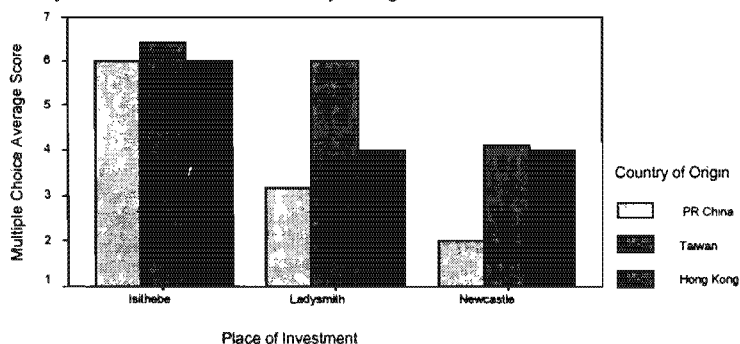
How many questions did respondents answer correctly?



*Graph 7*

### Multiple Choice Crosstable Graph

MCQ by Place of Investment and Country of Origin



We made an interesting observation during these visits to Newcastle and Isithebe. The majority of Taiwanese industrialists live with their families here in South Africa including their children. While the parents remain insulated from local integration, they send their children to Model C schools in the area. Some representatives from Ithala as well as SACTWU representative claimed that these industrialists view and use South Africa as a launch-pad into the USA and Europe. As a result many send their children to the USA (particularly) either after completion of school, or later after completion of first degree. They send their children to study here because of high education levels of Model C schools, yet cheaper costs of education in South Africa comparatively.

The vast majority of investors are frustrated by mixed messages they received from government departments. This point was also highlighted by the inspection and compliance manager at DOL. The chairmen of Chinese/Taiwanese chamber of business in respective zones bitterly complained that when representatives from South Africa, viz. the Dti, trade and investment agencies and various municipal representatives (especially from Newcastle) come to China/Taiwan to source investment, they presented a picture of flexible working and business environment which contradicts labour legislation and policy enforced by the DOL. Some industrialists lamented that had they known of the legislation post 1994, they would not have moved their business to South Africa. On a general observation, people highlighted lack of integration and the silo organisation and program mentality in government's functions and departments. Industrialists as well as managers at Ithala highlighted inefficiencies in government functions, which manifest in mixed messages which confuse investment prospects into the country. They also lamented about the Department of Home Affairs (DHA) inefficiency in formulating and processing permits for investors. These managers mentioned that these inefficiencies are not specific to Chinese/Taiwanese investments. They mentioned that in some cases they (Ithala as investment and industrial zone financing agency) have to wait long periods for permits to be processed at DHA. They highlighted that these delays contribute in their failure to secure high level investors, who prefer to invest in more efficient locations.

The findings also highlight contradictions in global neo-liberal discourse. A considerable number of investors have been operating in the

region prior 1994. It has been intimated above that during 1980s and early 1990s the Bantustan authorities offered numerous investment incentives to lure these investors into South Africa. As early as 1991 some of these incentives and subsidies were scrapped during prior to South Africa's reception into the global economy. South Africa's continued insertion into the global economy was further strengthened by liberalisation, deregulation and the sale of state enterprises to market forces. Ithala investment and finance agency, which used to be an agency of KwaZulu Bantustan was forced to transform itself into a corporate agency similar to Eskom, Telkom and Transnet. This process of privatisation and corporatisation of organisations signified a shift in the organisation of these institutions. The chairman of the Taiwanese chamber of business in Isithebe intimated that the restructuring of KwaZulu Marketing Initiative into TIK, as well as of KFC to Ithala has had negative repercussions on their investments. He states, *'when Ithala was still a government entity, things used to be easy, everything and every support we needed, we were given. But now, as a private organisation, Ithala has to ensure that they balance their own books, and when we ask for anything they require us to pay for it. We no longer receive the support we used to'*. As Hart (2002) argues 'Chinese/Taiwanese industrialists in their narration of 'Taiwanese miracle', in which they presented themselves as producers of it, they continually argued for natural market mechanisms to be given free reign in South Africa. They argued for elimination of trade unions, for relaxation of labour policies, for deregulation and liberalisation (Hart 2002:172). Similar claims were also intimated in our interviews in 2002/3. Hart (2002) argues that it was only six months later that the same industrialists were decrying the influx of cheaper imports from China, which affected and destabilised the clothing and textile sector in KZN. In our study in 2002/3, assertions of supremacy of market were made simultaneously with complaints against government's cut on investment incentives, cut of import duties and imposition of stringent monetary policies by Ithala and other investment and financing agencies.

Investors also highlighted crime as an area of great concern to them. They raised major reservations about what they consider as unacceptably high crime rates in their respective industrial zones. Some even mentioned that they would not have moved their business to these areas had they known of security risk here. Investors also felt that they are easy target for criminals

because they are foreigners and some investors cannot even report criminal cases to the police when their business permits have expired or having a visit (tourist) permit. They claimed that some investors operate on tourist visa and, or expired visa because of delays from the department of home affairs in processing and issuing permits. They repudiated the claim made by Ithala and respective municipal representatives, who asserted that these investors compromise their own security because they use their operation premises as living premises, some don't acquire best security in their business premises because it attempts to cut costs.

While in general these industrialists have been accused of not integrating with local communities within which they operate their business, a few have sought to use political office to participate in local and national political landscape. Hart (2002) makes a specific reference to a Taiwanese investor, who had acquired South African citizenship. Hart (2002:165) states,

... at the end of 1994, Liu attached himself to the IFP in an effort to take over the local state. Confronted with intense labour conflict, he intended to using his political clout to transform Newcastle into an export-processing zone in which unions were banned.

Ironically, the IFP lost the inaugural local government elections in 1996 in Newcastle. By the second local government elections, Mr Liu had crossed to the political opposition (ANC), mostly offering needed financial muscle to ANC local election campaign. The ANC lost the elections in Newcastle in favour of the IFP, which was argued by some trade unionists to be the community's reflection of its rejection and protest to the ANC's embracing Mr Liu who was then Chairman of the Chinese/Taiwanese chamber. In late 2003 Newcastle was revisited with the aim of facilitating workshops with trade unions on financial education and awareness. During discussions on political developments leading to the 2004 national elections, trade unionists lamented the imposition of Mr Liu and another Taiwanese industrialist on the national and provincial lists of the ANC by the provincial and national offices, even though local and regional structures were opposed to these names being listed. One of these trade unionists stated that,

we have fears that people might still not vote for the ANC in Newcastle because of its association with these exploiters.

Organisational anthropology, dating from Hofstede (1980) has developed a cultural discourse of work and organisational structure. This discourse gained ground in their explanation of dominance of Japan in the world markets during 1980s and increasing encroachment of world market dominance by Asian Tigers and China in the late 1990s. The thrust of this discourse is that Asian flat management structure, improved lead time, and familial organisation of work reflects Chinese cultural heritage and use of Guanxi (familial reciprocity). The discourse on new forms of work that fundamentally changed productive activity was coined by Piore & Sabel (1984) into what they called flexible specialisation. Zuboff (1988) called this new form of production organisation informative work. Mathews (1989), Best (1990), Zeitlin (1991), Woods (1989) called it post-Fordism, which was seen as a trajectorial move and, or shift from Fordist mass production to flexible post-Fordism. Flexible specialisation, post-Fordism, neo-Fordism (as people like Hirst 1992; Ewert 1993; Kelly 1993; Tolliday 1992 concluded in their research) analyses unanimously saw the new forms of work (or production organisation) as result of both technological and organisational innovation. The cultural discourse developed on the basis of organisational innovation and competitiveness of Asian firms and economies. Hart (2002) states that 'network production' has become a metaphor for organisational logic of contemporary capitalism, and part of a recognition of the rise of the Asian Pacific region as a major locus of industrial dynamism in the global economy. In this discourse, cultures are seen to manifest themselves fundamentally through their embeddedness in institutions and organisations (Castells 2000). The rise of Asian economies and their network production is associated with Confucian values, imbued in images of good Chinese, timeless traditions of familial collectivism, harmony and hard work (Hart 2002:168). Nonini and Ong (1997) note that idioms of Chinese culture, family values, forms of reciprocity (called *guanxi*) and Confucian capitalism do not merely explain Chinese identity, networks and economic activity, rather these discourses and their connections to power in large part constitute Chinese identities and transnational practices. These values, either be strong familial ties, loyalty

and respect for elders, discipline, frugality and work ethic are used as raw material to critique western modernity, yet simultaneously they contain many elements of western discourses since they are produced in negotiation with western domination.

The cultural discourse presents these values as panacea and as trans-culturally transportable globally. Numerous research during the 1980s and 1990s was dedicated to researching what was mostly called 'Japanisation of work', in US and German auto industry. These values were widely chanted, specifically in the 1990s, with specific reference to Asian Tigers, which were invoked to chart the way forward for globally competitive post-apartheid South Africa. SALDRU's industrial strategy projects on various manufacturing, construction and telecommunication sectors pointed our firms and economy to these Asian miracles and became narratives for dealing with labour conflicts and global competition. In Newcastle, these paternalistic relations found political currency in Zulu nationalism as represented by the IFP. Similar to Hart's (2002) findings, these investors presented themselves as more successful than their South African industrial counterparts on the basis of hard work, more efficient forms of management structured around familial relations, with ties of trust and reciprocity (*guanxi*) with technicians (most of whom are also Taiwanese) and other industrialists. This self-presentation of success as Hart (2002) argues is closely consistent with those of academic interpreters (like Hofstede 1984, 1991, 2001; Piore and Sabel 1984; Castells 1996, 2000) who accord primacy to familial and network forms of industrial organisation.

This discourse ignores some important points, especially in relation to Isithebe, Ladysmith and Newcastle. Firstly, these forms of production are gendered and they operate very differently for women and men. These relations are paternalistic with owner/manager assuming a father (paternal) figure and workers assuming children figures. These investors assert that these values succeed because everyone in the organisation has the same goal, which is to gain a competitive urge. Both managers and workers commit to this goal because of reciprocal benefit accrued from it. If the firm succeed, the success is reciprocated to everyone in the family. The application and enforcing of these values in the context of Isithebe, Ladysmith and Newcastle intersect with local and national histories of race and gender difference. While in the workplace investors want to impose familial values,

expressions and politics of difference are prevalent in these areas, fermented by lack of integration and insulation of these investors from community integration highlighted earlier. On the other hand these investors present discourse of difference simultaneously with familial obligation and demand of loyalty from their workforce. During our interviews these investors expressed their management and organisation superiority above South African factory owners and workers alike. There was also deep sense of resentment and tensions on the factory floor, with a few exceptions as indicated by Hart (2002:166). The majority of investors lamented about 'low productivity' which they attributed to laziness and ingratitude of workers to employment they are offered. Hart (2002:167) indicated that women workers also expressed deep resentment not only of low wages and poor working conditions, but also because they felt treated like animals by these industrialists. While Confucian values promote familial and reciprocal relations, they were contradicted by a simultaneous discourse of difference perpetuated between Chinese/Taiwanese men to African women.

The cultural discourse is also gaining ground in South Africa under the auspices of '*ubuntu/botho*', asserting African values of '*a person is because of other people*' (*umuntu ngumuntu ngabantu*) and what is argued as African value of consensus decision making (Christie, 1993; Lessem, 1996; Mbigi, 2000; Ntoane, 2002). Still missing in this discourse is analysis of capitalist class contradictions and conflict. But this discourse is continually being contested on the meaning of African values, *ubuntu/botho* and the social conditions and social structural configurations within which these values are asserted. There are also sociological engagements with this discourse, critiquing ascendance of a bourgeois Africanism, or Africanism seen through a neo-liberal perspective, privatisation, unbundling and such concepts from Bretton Woods model (IMF and World Bank), and linking working class struggles within the African philosophy of '*ubuntu*' (Ntuli, 2002; Sitas, 2002).

## **Conclusion**

Both previous research by Hart (2002) and our research show discourses of difference, divergence and separation in the operation of Chinese/Taiwanese industrialists in Isithebe, Ladysmith and Newcastle. The most significant

gaps are between industrialists and their factory floor workers. The deep sense of resentment is reciprocated by both industrialists towards their workers and visa-versa. Industrialists make claims of workers being lazy and having ingratitude, while workers lament poor (unsafe) working conditions and very low wages. As indicated above, this gap is also accentuated by how discourses of race, culture and gender difference are continually constructed in the workplace, in the respective local, social and political arenas. This is contradicted by apparent imposition of familial relations, expectation of loyalty and reciprocity on the factory floor by industrialists on their workers. Some of these industrialists also make attempts to gain political currency either through IFP or ANC to push their agenda. The success of these political manoeuvres is complex and varies according to local dynamics. The change of local political power in Newcastle and Ladysmith was influenced by several factors, including but not limited to ability of respective political parties to mobilise support for local elections, ability of political parties to utilise state power to mobilise the local electorate as well as local demarcations of these local municipalities which altered local composition of each of these municipalities between 1996 elections and 2000 elections.

The research also highlights the contradictions in post-apartheid South Africa. As highlighted in Hart (2002) and from this research. The first democratically local authorities in Ladysmith after 1996 elections were faced with challenge of resolving employment problems in their localities, provision of services and demand for increasing municipal revenue in the light of fiscal austerity and neo-liberal agenda of national government. Former trade unionists that fought Taiwanese industrialists in bitter battles now had to 'kiss and make up' with them, even attempt to attract more investors to increase employment and local revenues. It was interesting how politics were played as Hart (2002:18-26) asserts it as 'replacing of power in post-apartheid South Africa' as well as what she calls post-apartheid paradoxes, especially after the embrace of neo-liberalism. This point is significant because a generalised argument and conclusion seems to place Chinese/Taiwanese collaboration only with Zulu nationalism in the form of IFP. This point highlights Hart's (2002) notion of articulation in South African political and economic development. Post 1998, the IFP although was still the dominant party in the province, it was clear that the ANC was consolidating political power and advancing even to areas historically known



as IFP strongholds. This explains the shift of Taiwanese investors in support from IFP to ANC as calculation of those developments.

On the other hand although it is beyond doubt that Taiwanese industrialists found commonalities with Zulu nationalism espoused by the IFP, the collusion between these groupings in Ladysmith and Newcastle had specific preconditions that explain it. Our research was conducted when all three municipalities were controlled by the IFP, yet only Ladysmith and Newcastle councillors and managers colluded with industrialists against trade unions and labour legislation. The municipal manager and councillors in Isithebe had a more ambivalent attitude towards investors similar to Ithala estate in Isithebe. Earlier, the paper highlighted that investors in Ladysmith and Newcastle were sought and attracted by the municipalities themselves, of which one of the municipal managers (town clerk in Newcastle) happily mentioned that he had been to China and Taiwan more than 35 times in the last 20 years. On the contrary, investors in Isithebe are brought by Ithala estate and finance agency independent of the municipality. Ithala is the client of the municipality, which also raised tensions between municipality and Ithala over payments of rates for water and electricity and cases of improper conduct of some investors being brought to the municipality.

Lastly, our research highlights the contradictory nature of post-apartheid South Africa as seen also by the investors on the bases of opportunities and threats that simultaneously present in South Africa today. While they complained about government's policies on labour and trade unions, they also enjoyed measurable incentives on competitive rates and property costs as well as tax incentives, although these have been gradually been scrapped as South Africa fully embraced global market standards. Of specific interest was the observation of Taiwanese industrialists, who brought their families to South Africa, especially their children to get what they regard as high grade education at much cheaper rates than in England and USA. Acquiring education in South Africa is regarded as an important step in opening doors to entering America (there are a few who send their children to Europe, but the general trend is US). Industrialists from mainland China on the other hand viewed South Africa as a gate to the continent, with superior infrastructure, finance, and technological capabilities. Many of these industrialists use South Africa as marketing and head offices while actual production and operation is moved to Lesotho, Swaziland, Malawi.

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